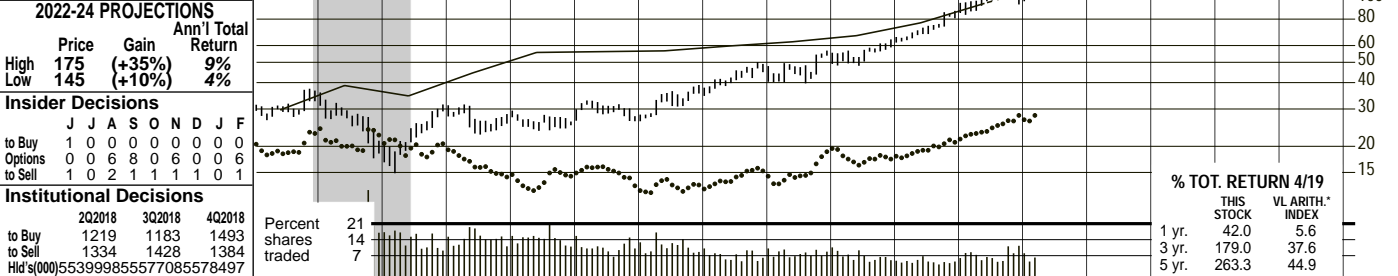


MICROSOFT NDQ-MSFT

RECENT PRICE **130.60** P/E RATIO **28.2** (Trailing: 29.0 Median: 14.0) RELATIVE P/E RATIO **1.55** DIV'D YLD **1.4%**

VALUE LINE

TIMELINESS 2 Lowered 3/15/19	High: 36.0 31.5 31.6 29.5 32.9 39.0 50.0 56.8 64.1 87.5 116.2 131.4	Target Price Range 2022 2023 2024
SAFETY 1 Raised 5/26/06	Low: 17.5 14.9 22.7 23.7 26.3 26.3 34.6 39.7 48.0 61.9 83.8 97.2	
TECHNICAL 3 Raised 4/12/19	LEGENDS — 18.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession	
BETA 1.10 (1.00 = Market)		



2022-24 PROJECTIONS		© VALUE LINE PUB. LLC																	22-24			
Price	Gain	Ann'l Total Return	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Revenues per sh ^A	24.25
High 175	(+35%)	9%	3.00	3.39	3.72	4.40	5.45	6.60	6.56	7.21	8.35	8.80	9.34	10.54	11.66	11.78	12.54	14.38	17.00	18.20	"Cash Flow" per sh	9.25
Low 145	(+10%)	4%	1.12	1.15	1.27	1.34	1.65	2.16	1.92	2.47	3.09	3.12	3.15	3.31	3.47	3.71	4.26	5.28	6.45	6.85	Earnings per sh ^B	7.00
			.97	1.04	1.16	1.20	1.42	1.87	1.62	2.10	2.69	2.72	2.65	2.63	2.65	2.79	3.08	3.88	4.57	5.05	Div'ds Decl'd per sh ^E	2.85
			.08	.16	.32	.34	.40	.44	.52	.52	.64	.80	.89	1.12	1.24	1.44	1.56	1.68	1.80	1.99	Cap'l Spending per sh	1.75
			.08	.10	.08	.16	.24	.35	.35	.23	.28	.28	.51	.67	.74	1.07	1.05	1.52	1.65	1.65	Book Value per sh ^D	18.25
			5.69	6.89	4.49	3.99	3.32	3.97	4.44	5.33	6.82	7.92	9.48	10.90	9.98	9.22	9.39	10.77	13.25	13.95	Common Shs Outst'g ^C	7425.0
			10718	10862	10710	10062	9380.0	9151.0	8908.0	8668.0	8376.0	8381.0	8328.0	8239.0	8027.0	7808.0	7708.0	7677.0	7625.0	7575.0	Avg Ann'l P/E Ratio	23.0
			26.1	25.8	22.9	21.7	19.9	16.3	13.4	13.1	9.6	10.4	11.2	14.0	17.0	18.1	20.2	22.1	Relative P/E Ratio	1.30		
			1.49	1.36	1.22	1.17	1.06	.98	.89	.83	.60	.66	.63	.74	.86	.95	1.02	1.19	Avg Ann'l Div'd Yield	1.8%		
			.3%	.6%	1.2%	1.3%	1.4%	1.4%	2.4%	1.9%	2.5%	2.8%	3.0%	3.0%	2.7%	2.9%	2.5%	2.0%				

CAPITAL STRUCTURE as of 3/31/19		© VALUE LINE PUB. LLC																	22-24		
Total Debt \$73100 mill. Due in 5 Yrs \$26235 mill.																			Revenues (\$mill) ^A	180000	
LT Debt \$66585 mill. LT Interest \$2275 mill. (41% of Cap'l)		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Operating Margin	44.0%
		58437	62484	69943	73723	77811	86833	93580	91964	96657	110360	124675	138000	Depreciation (\$mill)	16000						
		39.2%	42.9%	42.8%	41.9%	40.3%	38.0%	36.5%	37.6%	39.4%	41.1%	42.7%	43.0%	Net Profit (\$mill)	52800						
		2562.0	2673.0	2766.0	2967.0	3755.0	5212.0	5957.0	6622.0	8778.0	10261	11675	12850	Income Tax Rate	17.0%						
		14569	18760	23150	23171	22453	22074	21885	22329	24084	30267	35425	38875	Net Profit Margin	29.3%						
Leases, Uncapitalized \$1492 mill.		26.5%	25.0%	17.5%	18.6%	19.6%	20.7%	23.3%	18.8%	20.2%	17.0%	16.0%	17.0%	Working Cap'l (\$mill)	125000						
		24.9%	30.0%	33.1%	31.4%	28.9%	25.4%	23.4%	24.3%	24.9%	27.4%	28.4%	28.2%	Long-Term Debt (\$mill)	81000						
No Defined Benefit Pension Plan Pfd Stock None		22246	29529	46144	52396	64049	68621	74854	80303	95324	111174	100000	110000	Share Equity (\$mill) ^D	135000						
Common Stock 7,663,000,000 shs. as of 4/18/19		3746.0	4939.0	11921	10713	12601	20645	27808	40783	76073	72242	67500	70500	Return on Total Cap'l	25.0%						
MARKET CAP: \$1001 billion (Large Cap)		39558	46175	57083	66363	78944	89784	80083	71997	72394	82718	97075	105700	Return on Shr. Equity	39.0%						
		33.6%	36.8%	33.8%	30.3%	24.7%	20.3%	20.6%	20.3%	17.0%	20.4%	22.0%	22.5%	Retained to Com Eq	23.5%						
		36.8%	40.6%	40.6%	34.9%	28.4%	24.6%	27.3%	31.0%	33.3%	36.6%	36.5%	37.0%	All Div'ds to Net Prof	40%						

BUSINESS: Microsoft Corp. is the largest independent maker of software. It develops and sells software products for a wide range of computing environments in consumer and enterprise markets. Hardware products include the Xbox video game console and Surface tablet. Revenue sources in fiscal 2018: Productivity & Business Processes, 32%; Intelligent Cloud, 30%; More Personal Computing, 38%. R&D, 13.3% of 2018 revenues. Employed 131,000 at 6/30/18. Stock owners: William H. Gates, 1.3%; other offs. & dirs., 0.1%; The Vanguard Group, 7.5%; BlackRock, Inc., 6.4%; (10/18 proxy). Chrmn: John W. Thompson. CEO: Satya Nadella. Inc.: Washington. Addr.: One Microsoft Way, Redmond, Washington 98052-6399. Tel.: 425-882-8080. Internet: www.microsoft.com.

Microsoft's financial report for its fiscal third quarter made for excellent reading. (Years end June 30th.) Revenues and earnings came in at \$30.6 billion and \$1.14 a share for the March period. This was a very good performance, in our view, comparing favorably with our estimates of \$30.0 billion and \$1.02 a share. The recent release added to the lengthening string of reports chronicling the company's success, and investors greeted it warmly. Microsoft continued gathering steam in its efforts to deliver cloud architecture and services to businesses of all sizes, as they transition their operations to the digital world. On point, this momentum was an important factor in the strong performance of its commercial business in the third quarter, where cloud revenue came in at \$9.6 billion, up 41%, supported by rapid adoption of its Azure platform, where revenues advanced 71%, with profitability improving with scale and the increasing use of higher-valued services.

We are introducing estimates for fiscal 2020 with this report. Although the company has not yet given a specific forecast for next year, it has suggested that revenues and operating profits should advance at a double-digit rate, with its operating margin holding steady. Our targets for 2020 generally reflect these comments. **What about Microsoft stock?** The questions is whether Microsoft can continue to deliver the kind of operational and financial performances needed to keep the shares on an upward trend. There is no definitive answer here, though our sense is the company is extremely well positioned to place its products and services not only with its traditional enterprise customers, but with a whole range of smaller businesses. Accordingly, we think the momentum propelling the company forward is likely to remain for some time yet, as our longer-term projections suggest. Meanwhile, ongoing share repurchases and a growing dividend are seen as shareholder friendly, and should aid returns over time. In all, high-quality MSFT stock should still fit well in most buy-and-hold portfolios. That said, those considering new commitments will have to show a willingness to pay a premium, given the market support received in the last few years.

Charles Clark
May 10, 2019

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2016	21660 25506 22156 22642	91964
2017	22334 26066 23557 24700	96657
2018	24538 28918 26819 30085	110360
2019	29084 32471 30571 32549	124675
2020	32000 35750 33750 36500	138000

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2016	.70 .77 .63 .69	2.79
2017	.76 .83 .73 .75	3.08
2018	.84 .96 .95 1.13	3.88
2019	1.14 1.10 1.14 1.19	4.57
2020	1.20 1.25 1.20 1.40	5.05

Calendar	QUARTERLY DIVIDENDS PAID ^E	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2015	.31 .31 .31 .36	1.29
2016	.36 .36 .36 .39	1.50
2017	.39 .39 .42 .42	1.62
2018	.42 .42 .42 .46	1.72
2019	.46	

(A) Fiscal year ends June 30th. (B) Diluted earnings. Quarters may not add to total. Excl. nonrec. items: '03, d5c; '04, d29c; '05, d4c; '12, d72c; '13, d7c; '15, d\$1.17; '16, d70c; '17, d37c; '18, d\$1.75. Next earnings report mid-July. (C) In mill., adjusted for stock split. (D) Includes intangibles. In 2018: \$35.7 billion, \$4.65 a share. (E) Dividends historically paid in March, June, Sept., and Dec. Dividend reinvestment plan available. Special dividend of \$3.00 a share paid December 2, 2004.

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Company's Financial Strength A++
Stock's Price Stability 80
Price Growth Persistence 75
Earnings Predictability 90

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